GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1977
ANSWERED ON:10.08.2006
COST OF PRODUCTION
Badiga Shri Ramakrishna

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the private oil companies are selling petroleum products at lower cost than the public sector oil companies;

(b) if so, the details thereof;

(c) the reasons for higher cost of production incurred by the public sector oil companies when private companies are incurring lesser cost of production and selling petroleum products at a much cheaper price than the public sector companies; and

(d) the steps taken or proposed to be taken by the Government to bring down the cost of production in public sector oil companies ?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a)&(b): No, Sir. As per available information, the private oil companies are presently selling petrol, diesel and domestic LPG at prices higher than the public sector oil marketing companies. As regards other petroleum products, these are free trade products and market specific prices are arrived at by private and public sector oil marketing companies based on the market conditions/strategies being adopted according to their business plans.

(c)&(d): The refining cost of crude oil depends upon configuration, technology, capacity, age, location, logistic etc. The steps taken by PSU refineries to reduce refining cost are given below:

(i) Yield maximization of value added products (LPG, MS, ATF etc.)

(ii) Thrust on energy conservation and reduction in hydrocarbon losses.

(iii) Minimising the manpower cost through downsizing.

(iv) Adherence to preventive maintenance schedule to achieve the optimum maintenance cost.

(v) Control on overheads.

(vi) Expansion of capacity to achieve economies of scale.